

REMARKS

Claims 1 to 70 are pending in the present application.

Claims 1, 56 to 59, 61 to 65 and 68 to 70 are independent.

Section 101 Rejection

Claims 1 to 21, 23, 25 to 27, 29 to 33, 35, 36, 38 to 55, 57 to 64, and 68 to 70 stand rejected under 35 U.S.C. Section 101 as directed to non-statutory subject matter. Applicants respectfully traverse this rejection.

Focusing on independent Claim 1 for purposes of brevity, Applicants note that the claim is directed to "a method of facilitating a transaction" and recites "associating a transferable item price with a first consumer" as well as "determining that a second consumer specified by the first consumer is entitled to purchase an item in exchange for payment of an amount based on the transferable item price." A *price* and a payment for an item are a useful, concrete, and tangible results. A claimed invention that produces a useful, concrete and tangible result constitutes statutory subject matter. *AT & T Corp. v. Excel Communications Inc.*, 172 F.3d 1352, 1356, 50 USPQ2d 1447, 1451 (Fed. Cir. 1999); *State Street Bank v. Signature Financial Trust*, 149 F.3d 1368, 1373, 47 USPQ2d 1596, 1601 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 851 (1999). Thus, a method involving payment for an item based on a *price* is statutory subject matter.

The Federal Circuit has held that a claimed processing system was patentable subject matter because the system determines a final share *price*, which is a *useful, concrete, and tangible result*. *State Street Bank*, 149 F.3d at 1373, 47 USPQ2d at 1601. "[W]e hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula or calculation, because it produces 'a useful, concrete, and tangible result' - - a final share price...[E]ven if the useful result is expressed in numbers, such as price, profit, percentage, cost or loss", the invention that produces that result is nevertheless statutory. *State Street Bank*, 149 F.3d at 1374. Applicants note that the independent claim at issue in the *State Street Bank* case, as upheld by the Federal Circuit, recited a machine which functioned to determine a final share price of a mutual fund. The independent claim did not recite any specific application of the share price.

The payment for an item based on a *price* recited in Claim 1 does have a myriad of practical real world applications, as disclosed in the specification. For example, a merchant seeking new customers may be very interested in potential customers related to desirable existing customers. Thus, via the present invention, a potential new customer identified by an existing customer may be offered an item at a price only offered to established customers to expand the merchant's customer base. This example use need not be recited, just as no uses were recited in the claims in *State Street Bank*. Thus, Claim 1 is directed to statutory subject matter. Likewise each of the other independent (and all of the dependent) claims recite statutory subject matter.

Section 103 Rejections

Claims 1 to 8, 10, 12, 13, 15 to 17, 19 to 22, 27, 29, 35, 39, 40, 42 to 46, 48, 49 to 53, 56 to 60, and 65 to 70 stand rejected under 35 U.S.C. Section 103(a) as unpatentable over US Patent No. 6,101,484 filed March 31, 1999 and issued August 8, 2000 to Halbert et al. (hereinafter "Halbert") in view of Official Notice as supported by US Patent No. 5,953,705 filed February 21,

1997 and issued September 14, 1999 to Hideo Oneda (hereinafter "Oneda"). Applicants respectfully traverse the Examiner's Section 103 rejection.

As previously explained in Applicants' prior response, the Halbert reference discloses a system to allow individuals to aggregate their buying power into a buying co-op. In the Halbert system, if a sufficient number of individuals make binding offers to purchase an item at or above a predetermined price, the seller of the item has agreed to lower the item's price a predefined amount. Thus, in the Halbert system, no consumer has the power to transfer his price to another.

Together the buying co-op can drive the price down through aggregation to meet pre-defined agreements. A Halbert co-op is defined as "the online manifestation of buying groups who have committed to purchase a certain product within a specified price." (Halbert, col 4, lns. 4 to 8) In other words, "[m]aking an offer is a condition precedent to joining a co-op." (col 4, lns. 44 to 45) "In order to join a co-op, each buyer must determine the maximum price at which (or below) he or she is willing to purchase the featured item. Such amount is specified in his or her binding purchase offer." (col. 3, lns. 4 to 7) Once a co-op member joins (*i.e.* commits to paying at least a maximum price), he hopes that others likewise commit/join so that the seller lowers the price.

Thus, the Examiner's statement on page 3, line 14 of the present office action is an incorrect characterization of the teachings of the Halbert reference. The Examiner incorrectly states that Halbert teaches "associating a transferable item price with a consumer (column 9, lines 15-17, lines 36-41)." There is no transferable item price disclosed. The only price discussed in the relied upon passages is a maximum (or current) price that an offeror maybe allowed to pay if a critical mass is achieved. The relied upon passages merely state that:

"The system authorizes his credit card for the maximum price specified in his offer, such that his offer is guaranteed to be valid."
Col. 9, lns. 15 to 17

"The buyer makes a non-cancelable offer to purchase the featured product at a range which includes the current price as the maximum acceptable price. The system acknowledges the offer, and at close of the co-op, if the critical mass has been met, the system indicates to the buyer that his offer is accepted." Col. 9, lns 36 to 41

Thus, it is clear that the offeror in Halbert has no transferable price to give to anyone else. He has merely made an offer to a merchant. If enough other people make the same offer, the merchant will lower the price. Clearly, there is no transferring of a price.

The claims of the present invention are generally directed to a system wherein a first consumer establishes a price with a seller and then can transfer that price to a second consumer. Specifically, each of the independent claims recite that a "transferable item price" associated with a first consumer is made available to a second consumer. The Halbert reference does not disclose a transferable item price. In Halbert, the item price is available to anyone who joins the co-op and makes a binding offer to pay at least a maximum price. Once the ending price is determined in Halbert, no new members can join the co-op and only existing members who offered an amount equal to or greater than the ending price may purchase the item.

In addition, the Examiner concedes that Halbert does not teach that the second consumer who receives the transferable price is specified by the first consumer. The Examiner relies upon

Official Notice that "it is old and well known for a first consumer to specify a second consumer to receive a benefit." The Examiner cites to Oneda in support of this Officially Noted assertion.

At the outset, Applicants note that the Examiner has improperly generalized the Applicants' claimed transferable price into a much broader term: "a benefit." Thus, even if the Examiner's use of Official Notice was proper, which it is not, the Officially Noted assertion does not teach Applicants' claimed invention. Applicants have not merely claimed a first consumer transferring a benefit to a second consumer, but rather a price transfer is claimed. The Examiner appears to be asserting that all species are known just because a genus may be known.

Regardless, even if the Examiner had not changed Applicants' claim language from "price" to "benefit," the officially-noted subject matter improperly comprises the principal evidence upon which the rejection was based. The Examiner has not merely used Official Notice to clarify a reference. Officially-noted subject matter cannot be used as the primary basis for a rejection under Section 103. For this additional reason the Examiner's rejection is untenable.

Instead of clarifying a reference, the Examiner appears to have provided a reference in an attempt to clarify the Official Notice. Further, the Examiner has not identified any relevant portion of Oneda nor provided any motivation to combine Oneda with Halbert. The Oneda reference discloses a "ticketless system for processing information for issuance of an airplane ticket or the like using an IC card." (See Oneda Abstract) At most, the Oneda reference appears to disclose electronic tickets that can be purchased by a first person on behalf of a second person and then the electronic ticket may be transferred from the first person's IC card to the second person's. The Examiner has not identified, and Applicants cannot locate, anywhere within Oneda, a teaching, or even suggestion, of transferring a benefit, much less transferring a price. Applicants have not claimed a first person buying an item for resale (or for gifting) to a second person as the Examiner seems to be implying. Thus, even if the Examiner's use of Official Notice was proper, which it is not, the only reference provided in support of the Official Notice does not teach or suggest that for which the Examiner appears to be relying upon it.

Further, given that Applicants' claims recite that the second consumer is an individual "specified by the first consumer," or the like, and Halbert is a system that was designed to allow people who do not know each other to aggregate their buying power, it is clear that Halbert teaches away from the idea of a system wherein a first consumer specifies a second consumer.

Further, the only "motivation" to add transferable prices to Halbert suggested by the Examiner is that one "would have been motivated to do so in order to allow a first consumer to pass a benefit on to a friend or family member." Clearly, the law requires more than merely repeating Applicants' feature to meet the *prima facie* burden of showing a motivation to combine suggested by the prior art. Clearly the Examiner has not met his burden. Thus, Applicants respectfully request withdrawal of the Section 103 rejection of Claims 1 to 8, 10, 12, 13, 15 to 17, 19 to 22, 27, 29, 35, 39, 40, 42 to 46, 48, 49 to 53, 56 to 60, and 65 to 70.

Regarding Claim 49 in particular, Applicants' claim recites that the first consumer is prevented from buying the item at the transferable price if the second consumer does so. This feature is clearly not taught by Halbert. Halbert actually teaches the opposite. In the Halbert system, all bidders with qualifying offers must purchase the item at close. Thus, for this additional reason, dependent Claim 49 is not obvious in view of the relied upon references.

Claims 9, 11, 14, 18, 23 to 26, 30 to 34, 36 to 38, 41, 47, 54, 55, and 61 to 64 stand as rejected under 35 U.S.C. Section 103(a) as being unpatentable over Halbert in view of Official Notice and in further view of US Patent No. 6,269,343 filed August 18, 1999 and issued July 31, 2001 to Mathew G. Pallakoff (hereinafter "Pallakoff") and in further view of the Examiner's

assertions of what would have been obvious. Applicants respectfully traverse the Examiner's Section 103(a) rejection.

As discussed above, Halbert does not teach transferable item prices. Oneda, the only reference provided in support of the Examiner's Official Notice, does not teach a first consumer specifying a second consumer to receive a transferable price. Pallakoff does not teach these features either. Therefore, for the same reasons discussed above, the Examiner's rejection of Claims 9, 11, 14, 18, 23 to 26, 30 to 34, 36 to 38, 41, 47, 54, 55, and 61 to 64 are also untenable and Applicants respectfully request the withdrawal of the Section 103 rejections of these claims as well.

Additionally, Applicants do not accept nor agree with the Examiner's characterization of the features of the claims that stand rejected based upon Halbert (and/or Pallakoff) in view of factual assertions by the Examiner, as "obvious modifications" or "well known." Applicants assume that the Examiner intended to take Official Notice of these asserted facts that are not otherwise in the record. In each case, the officially-noted subject matter comprises the principal evidence upon which the rejection was based. In other words, the Examiner relies upon officially-noted subject matter to show that a feature of the rejected claim was in the prior art. For the record, Applicants dispute all of the various assertions in the Office Action regarding what is "well known," "obvious modification" and/or otherwise officially-noted. Applicants likewise dispute all assertions which were not proper factual findings because they are mere unsupported conclusions.

Applicants respectfully remind the Examiner that officially-noted subject matter cannot be used as the primary basis for a rejection under 103. In other words, official notice alone of what existed in the prior art is not permitted. A reference must be provided to show the scope and content of the prior art. See, e.g., *In re Ahlert*, 424 F.2d 1088 (C.C.P.A. 1969) ("Assertions of technical facts in areas of esoteric technology must always be supported by citation to some reference work recognized as standard in the pertinent art and the appellant given, in the Patent Office, the opportunity to challenge the correctness of the assertion or the notoriety or repute of the cited reference. ... Allegations concerning specific 'knowledge' of the prior art, which might be peculiar to a particular art should also be supported and the appellant similarly given the opportunity to make a challenge.") (emphasis added); *In re Eynde*, 480 F.2d 1364 (C.C.P.A. 1973) ("[W]e reject the notion that judicial or administrative notice may be taken of the state of the art. Facts constituting the state of the art in a patent case are normally subject to the possibility of rational disagreement among reasonable men, and are not amenable to the taking of judicial or administrative notice.") (emphasis added); *In re Pardo*, 684 F.2d 912 (C.C.P.A. 1982) ("[T]his court will always construe [the rule permitting judicial notice] narrowly and will regard facts found in such manner with an eye toward narrowing the scope of any conclusions to be drawn therefrom. Assertions of technical facts in areas of esoteric technology must always be supported by citation to some reference work recognized as standard in the pertinent art and the appellant given, in the Patent Office, the opportunity to challenge the correctness of the assertion or the notoriety or repute of the cited reference.") (emphasis added) Official Notice may be used, if at all, to clarify the meaning of a reference. See, e.g., *In re Ahlert*, 424 F.2d 1088 (C.C.P.A. 1969) ("Typically, it is found necessary to take notice of facts which may be used to supplement or clarify the teaching of a reference disclosure, perhaps to justify or explain a particular inference to be drawn from the reference teaching.") (emphasis added).

Accordingly, Applicants request a reference that describes the officially-noted subject matter in sufficient detail to provide Applicants an opportunity to determine its scope and an

opportunity to distinguish the prior art from the present invention. MPEP 2144.03. Likewise, if the Examiner is relying upon his own personal knowledge of what was an "obvious modification" or "well known," Applicants respectfully request that the Examiner provide an affidavit in support of his factual assertions. Short of such support for the Examiner's factual assertions, Applicants respectfully request withdrawal of the Section 103 rejections on this additional ground.

Applicants assume that the Oneda reference mentioned in the conclusion of the Office Action was intended to support the Official Notice taken in the rejection of Claims 1 to 8, 10, 12, 13, 15 to 17, 19 to 22, 27, 29, 35, 39, 40, 42 to 46, 48, 49 to 53, 56 to 60, and 65 to 70 and not intended to support the implied Official Notice taken in rejecting Claims 9, 11, 14, 18, 23 to 26, 30 to 34, 36 to 38, 41, 47, 54, 55, and 61 to 64 since the Oneda does not appear to be relevant to the features unique to Claims 9, 11, 14, 18, 23 to 26, 30 to 34, 36 to 38, 41, 47, 54, 55, and 61 to 64. Clarification is requested.

Further, the Examiner improperly relies upon Pallakoff as disclosing Applicants' claimed feature of charging a first consumer a fee for the transfer of a price between consumers. The Examiner attempts to equate Applicants' transfer fee feature with a commission paid to a third party by a seller for the third party having provided a buyer as disclosed in Pallakoff. Clearly, the Examiner has confused the transaction in Pallakoff. Even if a commission were the same as a transfer fee, which it is not, in order for Pallakoff to be at all relevant, the third party would have to be paying a commission for the right to transfer a price from the third party to a buyer. Clearly this is not the case and Pallakoff does not teach that for which the Examiner relies upon it. Thus, Applicants respectfully request withdrawal of the rejection of Claims 9, 11, 14, 18, 23 to 26, 30 to 34, 36 to 38, 41, 47, 54, 55, and 61 to 64 based upon reliance on Pallakoff.

Regarding Claims 23 to 26, 36 to 38, 54, 55, and 61 to 64, the Examiner has clearly failed to establish a *prima facie* case of obviousness. The Examiner merely characterized the features of these claims as "obvious modifications of previously rejected claims and are therefore rejected as well." Aside from being improper on its face, the Examiner's rejection is incorrect. For example, Claim 23 recites "receiving a consumer identifier from the first consumer, the consumer identifier being associated with the second consumer." This feature is clearly not claimed elsewhere nor is it disclosed in the references.

Regarding Claims 62 and 63 in particular, despite Applicants having specifically pointed out the "second merchant" recited in these claims, the Examiner continues to ignore this feature. Neither of the relied upon references discloses or even suggests transferable item prices between multiple merchants. Thus, Applicants respectfully request withdrawal of the Examiner's Section 103 rejection of Claims 62 and 63 for this additional reason.

Further, regarding the claims that stand rejected based upon Halbert (and/or Pallakoff) in view of factual assertions by the Examiner, even if Halbert disclosed that which the Examiner relies upon it for, which it does not, the Examiner still would not have met his burden of establishing a *prima facie* case of obviousness in that he has not provided a proper motivation to combine Halbert with the features he describes as "well known" or "obvious modifications." The Examiner does not assert that the "motivations" he provides are suggested by the references. Instead the Examiner appears to rely upon reasoning. However, in each case, the Examiner merely provides a single conclusory statement that relies upon facts not in the record and amounts to merely a desirable result. The Examiner does not provide a proper motivation based upon reasoning because the asserted desirable result does not necessarily follow from the asserted combination.

For example, on page 8 of the Office Action regarding Claim 30, the Examiner provides the desirable result "to promote a sale" as the motivation to combine Halbert and the idea of "receiving a transferable item price code from the second consumer," a feature of the present invention that the Examiner explicitly concedes is not taught by Halbert. The Examiner's "reasoning" does not follow; Halbert does not contemplate using price codes because Halbert does not care if a consumer is requesting to make a purchase with a valid price transferred from another consumer. As discussed above, the system of Halbert is open to anyone who joins the buying co-op. There is no concept in Halbert of excluding a consumer who makes up his own price instead of using a valid code. Further, as the Examiner notes, in the Halbert system, the co-op's ability to collectively enjoy a discounted price (what the Examiner considers to be a transferred price) is contingent upon the co-op reaching a critical mass. The concept of a critical mass is fundamental to the Halbert system and the Halbert system cannot work without requiring the co-op to reach a critical mass. Applicants' invention has no such requirement for a critical mass and is therefore fundamentally different than Halbert's system. Thus, Applicants respectfully request withdrawal of the Examiner's section 103 rejections for this additional reason.

Conclusion

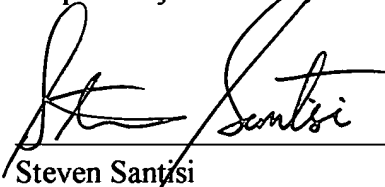
For the foregoing reasons it is submitted that all of the claims are now in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

Alternatively, if there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Applicants' representative, Steven Santisi, at telephone number 203-461-7054 or via electronic mail at santisi@walkerdigital.com.

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Date

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